

CITY OF MISSOURI VALLEY
INDEPENDENT AUDITORS' REPORTS
BASIC FINANCIAL STATEMENTS
SUPPLEMENTARY AND OTHER INFORMATION
SCHEDULE OF FINDINGS

JUNE 30, 2016

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City of Missouri Valley

Officials

(Before January 2016)

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Clint Sargent	Mayor	January 2016
Leonard Johnson	Council Member	January 2018
Robert Thompson	Council Member	January 2016
Dick Isom	Council Member	January 2016
Leonard Ratliff	Council Member	January 2016
Sherman Struble	Council Member	January 2016
Rita Miller	City Clerk, Administrator	Indefinite
Todd Argotsinger	Attorney	Indefinite

(After January 2016)

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Clint Sargent	Mayor	January 2018
Leonard Johnson	Council Member	January 2018
Robert Thompson	Council Member	January 2018
Sherman Struble	Council Member	January 2020
Roger Gunderson	Council Member	January 2020
John Tiffey	Council Member	January 2020
Rita Miller	City Clerk, Administrator	Indefinite
Todd Argotsinger	Attorney	Indefinite

City of Missouri Valley



Diane McGrain, CPA
Jim Menard, CPA
Kelsey Peterson, CPA

November 4, 2016

Independent Auditors' Report

To the Honorable Mayor and
Members of the City Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Missouri Valley, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting described in Note 1. This includes determining the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

Continued...

omni business centre
42 n. 2nd street
council bluffs, iowa 51503
712•322•8734 / fax 712•322•4699
www.schroer-cpa.com

Independent Auditor's Report
City of Missouri Valley

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Missouri Valley as of June 30, 2016, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

Basis of Accounting

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a basis of accounting other than U.S. generally accepted accounting principles. Our opinion is not modified with respect to this matter.

Other Matters

Supplementary and Other Information

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the City of Missouri Valley's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the nine years ended June 30, 2015 (which are not presented herein) and expressed unmodified opinions on those financial statements which were prepared on the basis of cash receipts and disbursements. The supplementary information included in Schedules 1 through 4, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The other information, Management's Discussion and Analysis, the budgetary comparison information, the Schedule of the City's Proportionate Share of the Net Pension Liability and the Schedule of City Contributions on pages 7 through 11, and 31 through 35 has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our reports dated November 4, 2016 on our consideration of the City of Missouri Valley's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Missouri Valley's internal control over financial reporting and compliance.

Schroeder & Associates, PC

MANAGEMENT'S DISCUSSION AND ANALYSIS

City of Missouri Valley provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2016. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

2016 FINANCIAL HIGHLIGHTS

- Receipts of the City's governmental activities increased 27.3%, or approximately \$669,000 from fiscal year 2015 to fiscal year 2016. Charges for service increased approximately \$72,000, operating grants, contributions and restricted interest increased approximately \$238,000, and bond proceeds increased approximately \$243,000.
- Disbursements of the City's governmental activities increased 4.6% or approximately \$123,000 in fiscal year 2016 from fiscal year 2015. Debt service and culture and recreation decreased approximately \$103,000 and \$115,000, respectively. Public safety disbursements increased approximately \$366,000.
- The City's total cash basis net position increased 11.8%, or approximately \$414,000 from June 30, 2015 to June 30, 2016. Of this amount, the assets of the governmental activities increased approximately \$309,000, and the assets of the business type activities increased approximately \$105,000.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the City's financial activities.

The Government-wide Financial Statement consists of a Cash Basis Statement of Activities and Net Position. This statement provides information about the activities of the City as a whole and presents an overall view of the City's finances.

The Fund Financial Statements tell how governmental services were financed in the short term, as well as what remains for future spending. Fund financial statements report the City's operations in more detail than the government-wide statement by providing information about the most significant funds.

Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Other Information further explains and supports the financial statements with a comparison of the City's budget for the year and the City's proportionate share of the net pension liability and related contributions.

Supplementary Information provides detailed information about the nonmajor governmental funds and the City's indebtedness.

BASIS OF ACCOUNTING

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted

accounting principles. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

REPORTING THE CITY'S FINANCIAL ACTIVITIES

Government-wide Financial Statement

One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Cash Basis Statement of Activities and Net Position reports information which helps answer this question.

The Cash Basis Statement of Activities and Net Position presents the City's net position. Over time, increases or decreases in the City's net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Cash Basis Statement of Activities and Net Position is divided into two kinds of activities:

- Governmental Activities include public safety, public works, culture and recreation, community and economic development, general government, debt service and capital projects. Property tax and state and federal grants finance most of these activities.
- Business Type Activities include the waterworks and the sanitary sewer system. These activities are financed primarily by user charges.

Fund Financial Statements

The City has two kinds of funds:

1) Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds, and the balances at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Road Use Tax, Employee Benefits, and Local Option Tax, 3) the Capital Projects Fund, 4) the Debt Service Fund, and 5) the Permanent Fund. The governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

The required financial statement for governmental funds is a Statement of Cash Receipts, Disbursements and Changes in Cash Balances.

2) Proprietary funds account for the City's Enterprise Funds. Enterprise Funds are used to report business type activities. The City maintains two Enterprise Funds to provide separate information for the Water and Sewer funds, all considered to be major funds of the City.

The required financial statement for proprietary funds is a Statement of Cash Receipts, Disbursements and Changes in Cash Balances.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of financial position. The city's cash balance for governmental activities increased by approximately \$309,000 from a year ago. The analysis that follows focuses on the changes in cash basis net position for governmental activities.

Changes in Cash Basis Net Position of Governmental Activities (Expressed in Thousands)		
	Year ended June 30,	
	2016	2015
Receipts:		
Program receipts:		
Charges for service	\$ 349	277
Operating grants, contributions and restricted interest	720	482
Capital grants, contributions and restricted interest	88	17
General receipts:		
Property tax	1,425	1,376
Tax increment financing	12	78
Local option sales tax	192	183
Grants and contributions not restricted to specific purposes	27	26
Commercial/industrial tax replacement	51	-
Unrestricted interest on investments	15	14
Bond proceeds	243	-
Total receipts	3,122	2,453
Disbursements:		
Public safety	1,104	738
Public works	479	528
Culture and recreation	435	550
Community and economic development	93	17
General government	250	273
Debt service	446	549
Capital projects	6	35
Total disbursements	2,813	2,690
Change in cash basis net position	309	(237)
Cash basis net position beginning of year	1,884	2,121
Cash basis net position end of year	\$ 2,193	1,884

The cost of all governmental activities this year was approximately \$2,813,000. As shown in the Statement of Activities and Net Position, the amount taxpayers ultimately financed for these activities was \$1,655,698 because some of the cost was paid by those directly benefited from the programs (approximately \$349,000) or by other governments and organizations which subsidized certain programs with grants, contributions and restricted interest (approximately \$808,000). The City paid for the remaining "public benefit" portion of governmental activities with property tax and with other receipts, such as interest, local option sales tax and miscellaneous receipts.

Changes in Cash Basis Net Position of Business Type Activities (Expressed in Thousands)		
	Year ended June 30,	
	2016	2015
Receipts:		
Program receipts:		
Charges for service		
Water	\$ 562	547
Sewer	366	355
General receipts:		
Grants and contributions not restricted to specific purposes	3	4
Unrestricted interest on investments	6	8
Miscellaneous	16	158
Total receipts	953	1,072
Disbursements:		
Water	582	686
Sewer	266	479
Total disbursements	848	1,165
Change in cash basis net position	105	(93)
Cash basis net position beginning of year	1,628	1,721
Cash basis net position end of year	\$ 1,733	1,628

The business type activities receipts for the fiscal year were approximately \$953,000, compared to \$1,072,000 last year. The cash balance increased approximately \$105,000 from the prior year. Total disbursements decreased approximately \$317,000 from the prior year.

INDIVIDUAL GOVERNMENTAL FUND ANALYSIS

As City of Missouri Valley completed the year, its governmental funds reported a combined fund balance of \$2,193,342, an increase of \$309,505 from the prior year. The reasons for the changes in fund balances of the major funds from the prior year are as follows:

- The General Fund increased \$374,502 from the prior year to \$609,747. The increase was primarily due to reimbursement from IDOT for their share of participation in the section 205 floodway study; loan proceeds for the Fire Department tanker; and various grants received, including funds from the Rialto Theatre seating and completion of the Caboose Park.
- The Road Use Tax Fund increased \$69,372 from the prior year to \$356,166 due to the increase in gas tax revenue.
- The Employee Benefits Fund increased \$46,383 from the prior year to \$73,739 due to changes in the health insurance and workers compensation premiums after the levy rate had been set. The accrued funds will be utilized to decrease the levy in FY18.
- The Local Option Sales Tax Fund increased \$63,338 from the prior year to \$532,159 due to the reduction of the bond debt from the 3rd Street reconstruction project. 75% of that debt was paid for from LOST funds.

- The Debt Service Fund decreased \$143,910 from the prior year to \$507,155 primarily due to the accrued balance being used to pay down debt without increasing the tax levy.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- The Enterprise, Water Fund decreased \$3,662 from the prior year to \$1,012,639.
- The Enterprise, Sewer Fund increased \$108,836 from the prior year to \$720,674 due to the implementation of capital facilities fees, and also completion of the Longview/Sunnyside sewer line capital project.

BUDGETARY HIGHLIGHTS

The City amended its budget one time to increase budget receipts by \$236,440 and increase budget disbursements by \$457,166. Total City disbursements were \$436,334 less than the budgeted amount.

DEBT ADMINISTRATION

At June 30, 2016, the City had \$5,103,000 in bonds and other long term debt, compared to \$5,335,000 last year.

Outstanding Debt at Year End		
	June 30,	
	2016	2015
General obligation notes	\$ 3,848,000	3,975,000
Revenue notes	1,255,000	1,360,000
Total	\$ 5,103,000	5,335,000

The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation debt of \$3,848,000 is below its constitutional debt limit of approximately \$5,600,000.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City of Missouri Valley's elected and appointed officials and citizens considered many factors when setting the fiscal year 2017 budget, tax rates and fees charged for various City activities.

The City of Missouri Valley's FY 2017 budget will increase from 2016 (as amended) due to the on-going Section 205 study with USACE and the CDBG housing rehab. Major work planned is an alley reconstruction project that will be funded through accrued Road Use Tax funds. Factors to consider in the budget are the costs for tree removal/treatment plan due to Emerald Ash Borer; and electronic welcome sign, partially funded through outside sources; the Fire Department tanker will be paid for in 2017 with loan proceeds from FY 2016. The City will continue its hydrant replacement program as well as planning and designing water and sewer main extensions, all of which will be paid for through water and sewer revenues. The City will also continue planning for a new fire station/city hall facility as well.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Rita M. Miller, City Clerk, 223 East Erie Street, Missouri Valley, Iowa.

City of Missouri Valley
Basic Financial Statements

Exhibit A

City of Missouri Valley
Cash Basis Statement of Activities and Net Position
As of and for the year ended June 30, 2016

		Program Receipts			Net (Disbursement) Receipts and Changes in Cash Basis Net Position		
			Operating Grants, Contributions and Restricted Interest	Capital Grants Contributions and Restricted Interest			
	Disbursements	Charges for Service	Interest	Interest	Governmental Activities	Business Type Activities	Total
Functions/Programs:							
Governmental activities:							
Public safety	\$ 1,104,447	148,968	275,457	-	(680,022)	-	(680,022)
Public works	478,945	83,788	350,718	-	(44,439)	-	(44,439)
Culture and recreation	434,509	75,229	34,168	-	(325,112)	-	(325,112)
Community and economic development	92,609	-	1,844	87,803	(2,962)	-	(2,962)
General government	249,993	41,317	57,238	-	(151,438)	-	(151,438)
Debt service	445,915	-	-	-	(445,915)	-	(445,915)
Capital projects	5,810	-	-	-	(5,810)	-	(5,810)
Total governmental activities	2,812,228	349,302	719,425	87,803	(1,655,698)	-	(1,655,698)
Business type activities:							
Water	581,769	562,070	-	-	-	(19,699)	(19,699)
Sewer	266,153	365,572	-	-	-	99,419	99,419
Total business type activities	847,922	927,642	-	-	-	79,720	79,720
Total	\$ 3,660,150	1,276,944	719,425	87,803	(1,655,698)	79,720	(1,575,978)
General Receipts:							
Property tax levied for:							
General purposes					787,757	-	787,757
Employee benefits					440,329	-	440,329
Debt service					196,576	-	196,576
Tax increment financing					12,428	-	12,428
Local option sales tax					191,567	-	191,567
Grants and contributions not restricted to specific purposes					27,159	3,322	30,481
Commercial/industrial tax replacement					51,028	-	51,028
Unrestricted interest on investments					15,359	5,880	21,239
Miscellaneous					-	16,252	16,252
Bond proceeds					243,000	-	243,000
Total general receipts					1,965,203	25,454	1,990,657
Change in cash basis net position					309,505	105,174	414,679
Cash basis net position beginning of year					1,883,837	1,628,139	3,511,976
Cash basis net position end of year					\$ 2,193,342	1,733,313	3,926,655
Cash Basis Net Position							
Restricted:							
Nonexpendable:							
Cemetery perpetual care					\$ 88,852	-	88,852
Expendable:							
Streets					356,166	-	356,166
Employee benefits					73,739	-	73,739
Property tax relief					532,159	-	532,159
Debt service					507,155	137,430	644,585
Other purposes					71,565	-	71,565
Unrestricted					563,706	1,595,883	2,159,589
Total cash basis net position					\$ 2,193,342	1,733,313	3,926,655

See notes to financial statements

Exhibit B

**City of Missouri Valley
Statement of Cash Receipts, Disbursements
and Changes in Cash Balances - Governmental Funds
As of and for the year ended June 30, 2016**

		Special Revenue				Other Nonmajor Governmental Funds	
	General	Road Use Tax	Employee Benefits	Local Option Sales Tax	Debt Service		Total
Receipts:							
Property tax	\$ 679,565	-	432,104	-	192,930	-	1,304,599
Tax increment financing collections	-	-	-	-	-	12,428	12,428
Other city tax	108,192	-	8,225	191,567	3,646	-	311,630
Licenses and permits	43,062	-	-	-	-	-	43,062
Use of money and property	37,937	-	-	-	-	1,844	39,781
Intergovernmental	287,775	350,718	16,980	-	7,527	87,803	750,803
Charges for service	284,621	-	-	-	-	600	285,221
Special assessments	19,439	-	-	-	-	-	19,439
Miscellaneous	108,675	-	3,095	-	-	-	111,770
Total receipts	1,569,266	350,718	460,404	191,567	204,103	102,675	2,878,733
Disbursements:							
Operating:							
Public safety	911,906	-	192,541	-	-	-	1,104,447
Public works	101,742	281,346	95,857	-	-	-	478,945
Culture and recreation	362,737	-	71,772	-	-	-	434,509
Community and economic development	-	-	-	-	-	92,609	92,609
General government	196,142	-	53,851	-	-	-	249,993
Debt service	-	-	-	-	445,915	-	445,915
Capital projects	-	-	-	-	-	5,810	5,810
Total disbursements	1,572,527	281,346	414,021	-	445,915	98,419	2,812,228
Excess (deficiency) of receipts over (under) disbursements	(3,261)	69,372	46,383	191,567	(241,812)	4,256	66,505
Other financing sources (uses):							
Operating transfers in	134,763	-	-	-	97,902	-	232,665
Operating transfers out	-	-	-	(128,229)	-	(104,436)	(232,665)
Bond proceeds	243,000	-	-	-	-	-	243,000
Total other financing sources (uses)	377,763	-	-	(128,229)	97,902	(104,436)	243,000
Change in cash balances	374,502	69,372	46,383	63,338	(143,910)	(100,180)	309,505
Cash balances beginning of year	235,245	286,794	27,356	468,821	651,065	214,556	1,883,837
Cash balances end of year	\$ 609,747	356,166	73,739	532,159	507,155	114,376	2,193,342
Cash Basis Fund Balances							
Nonspendable - cemetery perpetual care	\$ -	-	-	-	-	88,852	88,852
Restricted for:							
Streets	-	356,166	-	-	-	-	356,166
Employee benefits	-	-	73,739	-	-	-	73,739
Property tax relief	-	-	-	532,159	-	-	532,159
Debt service	-	-	-	-	507,155	-	507,155
Other purposes	-	-	-	-	-	71,565	71,565
Unassigned	609,747	-	-	-	-	(46,041)	563,706
Total cash basis fund balances	\$ 609,747	356,166	73,739	532,159	507,155	114,376	2,193,342

See notes to financial statements

City of Missouri Valley
Statement of Cash Receipts, Disbursements and Changes in Cash Balances
Proprietary Funds
As of and for the year ended June 30, 2016

	Enterprise Funds		
	Water	Sewer	Total
Operating receipts:			
Charges for service	\$ 562,070	365,572	927,642
Total operating receipts	562,070	365,572	927,642
Operating disbursements:			
Business type activities	444,224	266,153	710,377
Total operating disbursements	444,224	266,153	710,377
Excess of operating receipts over operating disbursements	117,846	99,419	217,265
Non-operating receipts (disbursements):			
Interest on investments	4,877	1,003	5,880
Rent	-	3,322	3,322
Miscellaneous	11,160	5,092	16,252
Debt service	(137,545)	-	(137,545)
Total non-operating receipts (disbursements)	(121,508)	9,417	(112,091)
Change in cash balances	(3,662)	108,836	105,174
Cash balances beginning of year	1,016,301	611,838	1,628,139
Cash balances end of year	\$ 1,012,639	720,674	1,733,313
Cash Basis Fund Balances			
Restricted for debt service	\$ 137,430	-	137,430
Unrestricted	875,209	720,674	1,595,883
Total cash basis fund balances	\$ 1,012,639	720,674	1,733,313

See notes to financial statements

City of Missouri Valley
Notes to Financial Statements
June 30, 2016

NOTE (1) Summary of Significant Accounting Policies

The City of Missouri Valley is a political subdivision of the State of Iowa located in Harrison County. It was first incorporated in 1871 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens, including public safety, public works, culture and recreation, and general government services. The City also provides water and sewer utilities for its citizens.

A. Reporting Entity

For financial reporting purposes, the City of Missouri Valley has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the City. The City has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Harrison County Assessor's Conference Board, Harrison County Emergency Management Commission, Harrison County Landfill Commission, Youth Enhancement Association, Southwest Iowa Planning Council, and Harrison County Joint E911 Service Board.

B. Basis of Presentation

Government-wide Financial Statements - The Cash Basis Statement of Activities and Net Position reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for services.

The Cash Basis Statement of Activities and Net Position presents the City's nonfiduciary net position. Net position is reported in the following categories/components:

City of Missouri Valley
Notes to Financial Statements
June 30, 2016

NOTE (1) Summary of Significant Accounting Policies - Continued

B. Basis of Presentation - Continued

Nonexpendable restricted net position is subject to externally imposed stipulations which require them to be maintained permanently by the City, including the City's Permanent Fund.

Expendable restricted net position results when constraints placed on the use of cash balances are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position consists of cash balances not meeting the definition of the preceding categories. Unrestricted net position often have constraints on cash balances imposed by management, which can be removed or modified.

The Cash Balances Statement of Activities and Net Position demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements – Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts from general and emergency levies, and other receipts not allocated by law or contractual agreement to some other fund, are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs that are not paid from other funds.

Special Revenue:

The Road Use Tax Fund is used to account for the road use tax allocation from the State of Iowa to be used for road construction and maintenance.

The Employee Benefit Fund is used to account for the collection and use of tax for pension, retirement and insurance benefits.

City of Missouri Valley
Notes to Financial Statements
June 30, 2016

NOTE (1) Summary of Significant Accounting Policies - Continued

B. Basis of Presentation – Continued

Special Revenue - Continued:

The Local Option Sales Tax Fund is used to account for accumulation of local option sales tax collected by the State to be expended in accordance with statutory and local provisions.

The Debt Service Fund is utilized to account for the payment of interest and principal on the City's general long-term debt.

The City reports the following major proprietary funds:

The Enterprise, Water Fund accounts for the operation and maintenance of the City's water system.

The Enterprise, Sewer Fund accounts for the operation and maintenance of the City's sanitary sewer system.

C. Measurement Focus and Basis of Accounting

The City of Missouri Valley maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general receipts. Thus, when program disbursements are paid, there are both restricted and unrestricted cash basis net position available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general receipts.

When a disbursement in governmental funds can be paid using either restricted or unrestricted resources, the City's policy is generally to first apply the disbursement toward restricted fund balance and then to less-restrictive classifications – committed, assigned and then unassigned fund balances.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

City of Missouri Valley
Notes to Financial Statements
June 30, 2016

NOTE (1) Summary of Significant Accounting Policies – Continued

D. Governmental Cash Basis Fund Balances:

In the governmental fund financial statements, cash basis fund balances are classified as follows:

Nonspendable – Amounts which cannot be spent because they are legally or contractually required to be maintained intact.

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors, or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Assigned – Amounts the Council intends to use for specific purposes.

Unassigned – All amounts not included in other spendable classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Other Information.

F. Property Tax Calendar

The City's property tax rates were extended against the assessed valuation of the City as of January 1, 2014, to compute the amounts which became liens on property on July 1, 2015. These taxes were due and payable in two installments on September 30, 2015 and March 31, 2016, at the Harrison County Treasurer's Office. These taxes are recognized as income to the City when they are received from the county.

NOTE (2) Cash and Pooled Investments

The City's deposits in banks at June 30, 2016 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

City of Missouri Valley
Notes to Financial Statements
June 30, 2016

NOTE (2) Cash and Pooled Investments – Continued

At June 30, 2016, the City had the following investments:

Investment	Carrying Amount	Fair Value
EE Bonds	\$ 14,865	15,000

The City uses the fair value hierarchy established by generally accepted accounting principles based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets, Level 2 inputs are significant other observable inputs, Level 3 inputs are significant unobservable inputs.

The recurring fair value of the EE Bonds was determined using quoted market prices. (Level 1 inputs).

Interest rate risk

The City's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) in instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days but the maturities shall be consistent with the needs and use of the City.

The City's total cash and investment was \$3,926,655 at June 30, 2016.

City of Missouri Valley
Notes to Financial Statements
June 30, 2016

NOTE (3) Bonds and Notes Payable

Annual debt service requirements to maturity of general obligation bonds and revenue notes are as follows:

Year Ended June 30,	General Obligation Debt Principal	Revenue Bonds Principal	Total Principal
2017	\$ 421,000	105,000	526,000
2018	427,000	105,000	532,000
2019	434,000	110,000	544,000
2020	440,000	110,000	550,000
2021	451,000	115,000	566,000
2022-2026	1,455,000	610,000	2,065,000
2027	220,000	100,000	320,000
Total	\$ 3,848,000	1,255,000	5,103,000

Year Ended June 30,	Interest	Interest	Interest
2017	76,766	30,588	107,354
2018	70,903	28,488	99,391
2019	64,493	26,387	90,880
2020	58,052	24,188	82,240
2021	49,782	21,987	71,769
2022-2026	127,276	67,234	194,510
2027	6,380	3,000	9,380
Total	\$ 453,652	201,872	655,524

The Code of Iowa requires that principal and interest on general obligation bonds be paid from the Debt Service Fund.

The City has a legal debt limit of approximately \$5,600,000 which was not exceeded during the year ended June 30, 2016.

Revenue Notes

The City has pledged future water customer receipts, net of specified operating disbursements, to repay \$1,360,000 in water revenue refunding bonds issued April 25, 2012. Proceeds from the notes provided financing for the construction of water main extensions. The notes are payable solely from water customer net receipts and are payable through 2027. Annual principal and interest payments on the notes required 116% of net receipts. The total principal and interest remaining to be paid on the notes is \$1,456,872. For the current year, total principal and interest paid and total customer net receipts were \$136,705 and \$117,846, respectively.

The resolutions providing for the issuance of the water revenue notes include the following provisions:

City of Missouri Valley
Notes to Financial Statements
June 30, 2016

NOTE (3) Bonds and Notes Payable - Continued

- a) The notes will only be redeemed from the future earnings of the enterprise activity and the note holders hold a lien on the future earnings of the funds.
- b) Commencing June 1, 2015, sufficient monthly transfers shall be made to water revenue note sinking accounts within the Water Enterprise Fund for the purpose of making the note principal and interest payments when due.
- c) Establish water reserve account of \$137,430 for the purpose of paying principal and interest payments when deposits in the sinking fund are insufficient to make such payments.
- d) Establish an improvement account after required payments to the sinking and reserve accounts until a balance of \$50,000 is accumulated.

The City has complied with the revenue note provisions.

NOTE (4) Pension Plan

Plan Description - IPERS membership is mandatory for employees of the City, except for those covered by another retirement system. Employees of the City are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at 7401 Register Drive P.O. Box 9117, Des Moines, Iowa 50306-9117 or at www.ipers.org.

IPERS benefits are established under Iowa Code chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information.

Pension Benefits – A Regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, anytime after reaching age 62 with 20 or more years of covered employment, or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. These qualifications must be met on the member's first month of entitlement to benefits. Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member's monthly IPERS benefit includes:

- A multiplier based on years of service.
- The member's highest five-year average salary, except members with service before June 30, 2012 will use the highest three-year average salary as of that date if it is greater than the highest five-year average salary.

City of Missouri Valley
Notes to Financial Statements
June 30, 2016

NOTE (4) Pension Plan - Continued

Protection occupation members may retire at normal retirement age, which is generally age 55. The formula used to calculate a protection occupation member's monthly IPERS benefit includes:

- 60% of average salary after completion of 22 years of service, plus an additional 1.5% of average salary for more than 22 years of service but not more than 30 years of service.
- The member's highest three-year average salary.

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25% for each month that the member receives benefits before the member's earliest normal retirement age. For service earned on or before July 1, 2012, the reduction is 0.50% for each month that the member receives benefits before age 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

Disability and Death Benefits - A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

Contributions - Contribution rates are established by IPERS following the annual actuarial valuation, which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. Statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires that the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll, based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal year 2016, pursuant to the required rate, Regular members contributed 5.95% of covered payroll and the City contributed 8.93% of covered payroll, for a total rate of 14.88%. Protection occupation members contributed 6.56% of covered payroll and the City contributed 9.84% of covered payroll, for a total rate of 16.40%.

The City's contributions to IPERS for the year ended June 30, 2016 were \$70,799.

City of Missouri Valley
Notes to Financial Statements
June 30, 2016

NOTE (4) Pension Plan – Continued

Net Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2016, the City's liability for its proportionate share of the net pension liability totaled \$298,845. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's share of contributions to IPERS' relative to the contributions of all IPERS participating employers. At June 30, 2015, the City's proportion was 0.006049%, which was an increase of 0.00062% from its proportion measured as of June 30, 2014.

For the year ended June 30, 2016 the City's pension expense, deferred outflows of resources and deferred inflows of resources totaled \$37,838, \$95,809 and \$132,523 respectively.

There were no non-employer contributing entities to IPERS.

Actuarial Assumptions - The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Rate of inflation (effective June 30, 2014)	3.00% per annum.
Rates of salary increase (effective June 30, 2010)	4.00 to 17.00% average, including inflation. Rates vary by membership group.
Long-term investment rate of return (effective June 30, 1996)	7.50% compounded annually, net of investment expense, including inflation.
Wage growth (effective June 30, 1990)	4.00% per annum, based on 3.00% inflation and 1.00% real wage inflation.

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of actuarial experience studies with dates corresponding to those listed above.

Mortality rates were based on the RP-2000 Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

The long-term expected rate of return on IPERS' investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

City of Missouri Valley
Notes to Financial Statements
June 30, 2016

NOTE (4) Pension Plan – Continued

<u>Asset Class</u>	<u>Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Core plus fixed income	28%	2.04%
Domestic equity	24	6.29
International equity	16	6.75
Private equity/debt	11	11.32
Real estate	8	3.48
Credit opportunities	5	3.63
U.S. TIPS	5	1.91
Other real assets	2	6.24
Cash	1	(0.71)
Total	<u>100%</u>	

Discount Rate - The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the contractually required rate and that contributions from the City will be made at contractually required rates, actuarially determined. Based on those assumptions, IPERS' fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on IPERS' investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.50%, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1% lower (6.50%) or 1% higher (8.50%) than the current rate.

	<u>1% Decrease (6.50%)</u>	<u>Discount Rate (7.50%)</u>	<u>1% Increase (8.50%)</u>
City's proportionate share of the net pension liability	\$ 690,567	\$ 298,845	\$ (31,584)

IPERS' Fiduciary Net Position - Detailed information about IPERS' fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS' website at www.ipers.org.

City of Missouri Valley
Notes to Financial Statements
June 30, 2016

NOTE (5) Leases

In December 2015, the City entered into a lease agreement for a piece of equipment for \$74 per month for 60 months. Rent expense for the operating lease for the year ended June 30, 2016, was \$978. Future minimum lease payments are as follows:

Year Ended June 30,	
2017	888
2018	888
2019	888
2020	888
2021	370
Total	\$ 3,996

NOTE (6) Compensated Absences

City employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for vacation payable to employees at June 30, 2016, primarily relating to the General Fund is \$41,868.

Sick leave may be converted to vacation pay for hours exceeding 960 and is payable upon termination at the rate of one hour of vacation per three hours of sick leave. The approximate liability for sick leave conversion payable upon termination of these employees is \$582 at June 30, 2016.

These liabilities are computed based on rates of pay effective as of June 30, 2016.

NOTE (7) Risk Management

The City is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 670.7 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 746 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986, for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials' liability, police professional liability, property, inland marine, and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained at a level determined by the Board not to exceed 300% of basis rates.

City of Missouri Valley
Notes to Financial Statements
June 30, 2016

NOTE (7) Risk Management – Continued

The Pool also provides property coverage. Members who elect such coverage make annual operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses, reinsurance premiums, losses and loss expenses for property risks estimated for the fiscal year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital, and, if insufficient, by the subsequent year's member contributions.

The City's property and casualty contributions to the risk pool are recorded as disbursements from its operating funds at the time of payment to the risk pool. The City's annual contributions to the Pool for the year ended June 30, 2016 were \$87,176.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the City's risk-sharing certificate. Property and automobile physical damage risks are retained by the Pool up to \$250,000 each occurrence, each location. Property risks exceeding \$250,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the City's risk-sharing certificate.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim, property loss or series of claims or losses exceeds the amount of risk-sharing protection provided by the City's risk-sharing certificate, or in the event a casualty claim, property loss or series of claims or losses exhausts the Pool's and any excess risk-sharing recoveries, then payment of such claims or losses shall be the obligation of the respective individual member against whom the claim was made or the loss was incurred.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days' prior written notice may withdraw from the Pool. Upon withdrawal, payments for all casualty claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Upon withdrawal, a formula set forth in the Pool's intergovernmental contract with its members is applied to determine the amount (if any) to be refunded to the withdrawing member.

The City also carries commercial insurance purchased from other insurers for coverage associated with workman's compensation in the amount of \$1,000,000. The City assumes liability for any deductibles, and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

City of Missouri Valley
Notes to Financial Statements
June 30, 2016

NOTE (8) Commitments

Water Tank Maintenance Contract

In January, 2003, the City entered into an agreement with Utility Service Co., Inc. for total care and maintenance of the 750,000 gallon elevated water storage tower. The full renovation cost and maintenance fees are spread over the initial three years of the contract. The contract can be renewed every three years. The City made the required payment of \$27,078 in January 2016. The City's required payment for January 2017 will be \$27,028.

Administrative Services Contract

The City renewed its agreement with PeopleService, whereby the City engages PeopleService to manage, operate, and maintain the City's water and wastewater utility system. The Company in turn refunds to the City all cost savings on non-payroll operating expenses. The monthly contracted fee is \$17,696 effective through June 30, 2016, with the change in the Consumer Price Index for All Urban Consumers (CPI-U) effective through June 30, 2017.

As required in this agreement, PeopleService enters meter readings and transmits them to the City for the computation and collection of the revenues from water, sewer and landfill usage.

NOTE (9) Construction Commitments

At June 30, 2016, the City had the following construction commitments:

	Estimated Contract Amount	Paid to Date	Remaining Commitment	Retainage Payable
Alley Pavement Reconstruction	\$ 205,130	-	205,130	-

NOTE (10) Missouri Valley Development Corporation Agreement

In April 1999, the City loaned the Missouri Valley Development Corporation \$25,000 for the construction of a commercial building within the City of Missouri Valley. A promissory note was signed in December 1999, with the Corporation agreeing to repay the loan as follows: annual payments of interest only in the amount of \$1,375 per year. Beginning in the year 2005 through 2014, the sum of \$2,451 will be repaid each year. In the year 2015 the entire balance, principal and accrued interest was to be due in full.

In November, 2004, the Corporation sold the building. The City agreed to extend the \$25,000 loan to the Corporation for future projects. Interest will continue to accrue at 5.5%. The City received an interest payment during the year ended June 30, 2016 of \$1,375. The balance of the loan is \$25,000 at June 30, 2016.

City of Missouri Valley
Notes to Financial Statements
June 30, 2016

NOTE (11) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2016 is as follows:

Transfer to	Transfer from	Amount
Debt Service	Special Revenue:	
	Local Option Sales Tax	\$ 85,474
	Urban Renewal Tax Increment	<u>12,428</u>
		97,902
General	Special Revenue:	
	Local Option Sales Tax	42,755
	Capital Projects	<u>92,008</u>
		134,763
Total		\$ <u>232,665</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to disburse resources.

NOTE (12) Deficit Balance

The Capital Projects Fund had a deficit balance of \$46,041 at June 30 2016. The deficit balance was a result of project costs incurred prior to the availability of funds. The deficit will be eliminated upon receipt of financing.

NOTE (13) New Accounting Pronouncement

The City adopted fair value guidance as set forth in Governmental Accounting Standards Board Statement No. 72, *Fair Value Measurement and Application*. The Statement sets forth guidance for determining and disclosing the fair value of assets and liabilities reported in the financial statements. Adoption of the guidance did not have a significant impact on amounts reported or disclosed in the financial statements.

Other Information

City of Missouri Valley
 Budgetary Comparison Schedule
 of Receipts, Disbursements, and Changes in Balances -
 Budget and Actual (Cash Basis) – All Governmental Funds and Proprietary Funds
 Other Information
 Year ended June 30, 2016

	Governmental Funds Actual	Proprietary Funds Actual	Total	Budgeted Amounts		Final to Total Variance
				Original	Final	
Receipts						
Property tax	\$ 1,304,599	-	1,304,599	1,264,970	1,264,970	39,629
Tax increment financing collections	12,428	-	12,428	12,428	12,428	-
Other city tax	311,630	-	311,630	313,779	313,779	(2,149)
Licenses and permits	43,062	-	43,062	28,075	44,075	(1,013)
Use of money and property	39,781	9,202	48,983	41,415	41,415	7,568
Intergovernmental	750,803	-	750,803	466,320	673,922	76,881
Charges for services	285,221	927,642	1,212,863	1,142,950	1,142,950	69,913
Special assessments	19,439	-	19,439	62,950	62,950	(43,511)
Miscellaneous	111,770	16,252	128,022	183,425	196,263	(68,241)
Total receipts	2,878,733	953,096	3,831,829	3,516,312	3,752,752	79,077
Disbursements						
Public safety	1,104,447	-	1,104,447	1,025,981	1,268,581	164,134
Public works	478,945	-	478,945	575,622	575,622	96,677
Culture and recreation	434,509	-	434,509	495,269	529,637	95,128
Community and economic development	92,609	-	92,609	-	136,198	43,589
General government	249,993	-	249,993	250,957	266,957	16,964
Debt service	445,915	-	445,915	445,915	445,915	-
Capital projects	5,810	-	5,810	-	10,000	4,190
Business type activities	-	847,922	847,922	845,574	863,574	15,652
Total disbursements	2,812,228	847,922	3,660,150	3,639,318	4,096,484	436,334
Excess (deficiency) of receipts over (under) disbursements	66,505	105,174	171,679	(123,006)	(343,732)	515,411
Other financing sources, net	243,000	-	243,000	-	286,375	43,375
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	309,505	105,174	414,679	(123,006)	(57,357)	472,036
Balances beginning of year	1,883,837	1,628,139	3,511,976	4,262,246	4,262,246	(750,270)
Balances end of year	\$ 2,193,342	1,733,313	3,926,655	4,139,240	4,204,889	(278,234)

See accompanying independent auditors' report

City of Missouri Valley
Notes to Other Information – Budgetary Reporting
June 30, 2016

The budgetary comparison is presented in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except Internal Service Funds and Fiduciary Funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund or fund type. These functions are: public safety, public works, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Fund, the Permanent Fund, and Proprietary Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased budgeted receipts by \$236,440 and increased budgeted disbursements by \$457,166. The budget amendments are reflected in the final budgeted amounts.

During the year ended June 30, 2016 disbursements did not exceed the amended budgeted amounts.

City of Missouri Valley
Schedule of the City's Proportionate Share of the Net Pension Liability
Iowa Public Employees' Retirement System
For the Last Two Years*
(In Thousands)
Other Information

	<u>2016</u>	<u>2015</u>
City's proportion of the net pension liability	0.006049%	0.005432%
City's proportionate share of the net pension liability	\$ 298	215
City's covered-employee payroll	\$ 734	742
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	40.60%	28.98%
Plan fiduciary net position as a percentage of the total pension liability	85.19%	87.61%

* In accordance with GASB Statement No. 68, the amounts presented for each fiscal year were determined as of June 30 of the preceding fiscal year.

See accompanying independent auditors' report

City of Missouri Valley
Schedule of City Contributions
Iowa Public Employees' Retirement System
For the Last Six Years
(In Thousands)
Other Information

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Statutorily required contribution	\$ 71	69	70	69	62	56
Contributions in relation to the statutorily required contribution	<u>71</u>	<u>69</u>	<u>70</u>	<u>69</u>	<u>62</u>	<u>56</u>
Contribution deficiency (excess)	\$ <u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
City's covered-employee payroll	\$ 753	734	742	722	706	698
Contributions as a percentage of covered-employee payroll	9.29%	9.37%	9.38%	9.25%	8.78%	8.10%

See accompanying independent auditors' report

City of Missouri Valley
Notes to Other Information – Pension Liability
Year ended June 30, 2016

Changes of benefit terms:

Legislation enacted in 2010 modified benefit terms for current Regular members. The definition of final average salary changed from the highest three to the highest five years of covered wages. The vesting requirement changed from four years of service to seven years. The early retirement reduction increased from 3% per year measured from the member's first unreduced retirement age to a 6% reduction for each year of retirement before age 65.

Legislative action in 2008 transferred four groups – emergency medical service providers, county jailers, county attorney investigators, and National Guard installation security officers – from Regular membership to the protection occupation group for future service only.

Changes of assumptions:

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25% to 3.00%.
- Decreased the assumed rate of interest on member accounts from 4.00% to 3.75% per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Reduced retirement rates for sheriffs and deputies between the ages of 55 and 64.
- Moved from an open 30 year amortization period to a closed 30 year amortization period for the UAL beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20 year period.

The 2010 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted retiree mortality assumptions.
- Modified retirement rates to reflect fewer retirements.
- Lowered disability rates at most ages.
- Lowered employment termination rates
- Generally increased the probability of terminating members receiving a deferred retirement benefit.
- Modified salary increase assumptions based on various service duration.

The 2007 valuation adjusted the application of the entry age normal cost method to better match projected contributions to the projected salary stream in the future years. It also included the one-year lag between the valuation date and the effective date of the annual actuarial contribution rate in the calculation of the UAL amortization payments.

Supplementary Information

City of Missouri Valley
Schedule of Cash Receipts, Disbursements
and Changes in Cash Balances
Nonmajor Governmental Funds
As of and for the year ended June 30, 2016

	Special Revenue			Permanent	
	Urban				
	Renewal	CDBG	Capital	Cemetery	
	Tax	Housing	Projects	Perpetual	
	Increment	Rehab		Care	Total
Receipts:					
Tax increment financing collections	\$ 12,428	-	-	-	12,428
Use of money and property	-	1,844	-	-	1,844
Intergovernmental	-	87,803	-	-	87,803
Charges for services	-	-	-	600	600
Total receipts	12,428	89,647	-	600	102,675
Disbursements:					
Operating:					
Community and economic development	-	92,609	-	-	92,609
Capital Project	-	-	5,810	-	5,810
Total disbursements	-	92,609	5,810	-	98,419
Excess (deficiency) of receipts over (under) disbursements	12,428	(2,962)	(5,810)	600	4,256
Other financing uses:					
Operating transfers (out)	(12,428)	-	(92,008)	-	(104,436)
Change in cash balances	-	(2,962)	(97,818)	600	(100,180)
Cash balances beginning of year	-	74,527	51,777	88,252	214,556
Cash balances end of year	\$ -	71,565	(46,041)	88,852	114,376
Cash Basis Fund Balances					
Nonspendable - cemetery perpetual care	\$ -	-	-	88,852	88,852
Restricted for other purposes	-	71,565	-	-	71,565
Unassigned	-	-	(46,041)	-	(46,041)
Total cash basis fund balances	\$ -	71,565	(46,041)	88,852	114,376

See accompanying independent auditors' report

City of Missouri Valley
Schedule of Indebtedness
Year ended June 30, 2016

<u>Obligation</u>	<u>Date of Issue</u>	<u>Interest Rates</u>	<u>Amount Originally Issued</u>	<u>Balance Beginning of Year</u>	<u>Issued During Year</u>	<u>Redeemed During Year</u>	<u>Balance End of Year</u>	<u>Interest Paid</u>	<u>Interest Due and Unpaid</u>
General obligation bonds:									
Rescue vehicle and GO refunding	Apr 25, 2012	1.55-2.90%	3,170,000	\$ 2,575,000	-	320,000	2,255,000	53,655	-
Street improvement	Sept 25, 2012	0.75-2.05%	1,400,000	1,400,000	-	50,000	1,350,000	21,260	-
Fire truck acquisition	May 3, 2016	2.16%	243,000	-	243,000	-	243,000	-	-
Total				\$ 3,975,000	243,000	370,000	3,848,000	74,915	-
Revenue notes:									
Water	Apr 25, 2012	2.00-3.00%	1,360,000	\$ 1,360,000	-	105,000	1,255,000	31,795	-

See accompanying independent auditors' report

City of Missouri Valley
Bond and Note Maturities
June 30, 2016

Year Ending June 30,	GO Rescue Vehicle and Refunding Bonds		Street Improvement		Fire Truck		Total
	Issued Apr 25, 2012		Issued Sept 25, 2012		Issued May 3, 2016		
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	
2017	1.55%	\$ 215,000	0.75%	\$ 160,000	2.16%	\$ 46,000	\$ 421,000
2018	1.55%	215,000	0.75%	165,000	2.16%	47,000	427,000
2019	1.55%	190,000	1.25%	195,000	2.16%	49,000	434,000
2020	2.10%	190,000	1.60%	200,000	2.16%	50,000	440,000
2021	2.10%	195,000	1.75%	205,000	2.16%	51,000	451,000
2022	2.30%	200,000	1.90%	210,000	-	-	410,000
2023	2.30%	200,000	2.05%	215,000	-	-	415,000
2024	2.60%	205,000	-	-	-	-	205,000
2025	2.70%	210,000	-	-	-	-	210,000
2026	2.80%	215,000	-	-	-	-	215,000
2027	2.90%	220,000	-	-	-	-	220,000
		<u>\$ 2,255,000</u>		<u>\$ 1,350,000</u>		<u>\$ 243,000</u>	<u>\$ 3,848,000</u>

Year Ending June 30,	Water	
	Issued Apr 25, 2012	
	Interest Rates	Amount
2017	2.00%	\$ 105,000
2018	2.00%	105,000
2019	2.00%	110,000
2020	2.00%	110,000
2021	2.00%	115,000
2022	2.50%	115,000
2023	2.65%	120,000
2024	2.75%	120,000
2025	2.85%	125,000
2026	2.90%	130,000
2027	3.00%	100,000
		<u>\$ 1,255,000</u>

See accompanying independent auditors' report

City of Missouri Valley
Schedule of Receipts By Source and Disbursements By Function -
All Governmental Funds
For the Last Ten Years

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Receipts:										
Property tax	\$ 1,304,599	1,251,391	1,262,792	1,237,831	1,193,289	1,249,746	1,159,025	1,139,007	993,959	906,871
Tax increment financing collections	12,428	77,640	105,326	106,449	132,026	95,668	88,554	132,418	76,174	172,242
Other city tax	311,630	307,867	303,936	310,968	329,192	306,914	294,781	312,273	295,582	270,813
Licenses and permits	43,062	38,876	18,986	23,156	55,207	57,867	16,268	8,082	6,612	6,631
Use of money and property	39,781	38,262	36,008	37,438	37,804	40,367	45,179	80,896	143,153	186,386
Intergovernmental	750,803	411,235	382,200	358,532	443,913	380,627	558,367	640,206	427,167	602,242
Charges for service	285,221	231,769	215,959	243,233	237,713	146,960	160,243	140,819	146,554	162,842
Special assessments	19,439	6,207	4,209	5,529	2,072	-	1,945	2,811	7,006	-
Miscellaneous	111,770	89,452	171,506	183,723	194,644	121,402	177,877	95,635	121,909	129,424
Total	\$ 2,878,733	2,452,699	2,500,922	2,506,859	2,625,860	2,399,551	2,502,239	2,552,147	2,218,116	2,437,451
Disbursements:										
Operating:										
Public safety	\$ 1,104,447	738,367	668,366	902,843	668,898	593,842	813,276	504,789	510,017	469,765
Public works	478,945	527,617	465,052	448,056	462,781	423,436	558,641	519,356	477,145	404,610
Culture and recreation	434,509	549,872	525,290	485,101	521,007	445,007	402,419	814,237	440,063	430,750
Community & economic development	92,609	17,273	-	-	-	-	26,190	-	-	302,070
General government	249,993	273,220	214,318	276,316	238,859	255,171	253,601	247,460	312,698	269,048
Debt service	445,915	548,792	554,649	520,844	691,656	615,241	787,073	420,384	264,138	363,538
Capital projects	5,810	34,656	436,142	1,045,464	413,542	321,133	775,015	-	61,483	-
Total	\$ 2,812,228	2,689,797	2,863,817	3,678,624	2,996,743	2,653,830	3,616,215	2,506,226	2,065,544	2,239,781

See accompanying independent auditors' report

City of Missouri Valley



Diane McGrain, CPA
Jim Menard, CPA
Kelsey Peterson, CPA

November 4, 2016

Independent Auditors' Report on Internal Control over Financial Reporting
and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in
Accordance with *Government Auditing Standards*

To the Honorable Mayor and
Members of the City Council:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in the *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Missouri Valley, Iowa, as of and for the year ended June 30, 2016, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated November 4, 2016. Our report expressed unmodified opinions on the financial statements which were prepared on the basis of cash receipts and disbursements, a basis of accounting other than U.S. generally accepted accounting principles.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Missouri Valley's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Missouri Valley's internal control. Accordingly we do not express an opinion on the effectiveness of the City of Missouri Valley's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings, we identified a deficiency in internal control we consider to be a significant deficiency.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency or a combination of deficiencies in internal control such that there is a reasonable possibility a material misstatement of the City of Missouri Valley's financial statements will not be prevented or detected and corrected on a timely basis.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in Part I of the accompanying Schedule of Findings as item I-A-16 to be a significant deficiency.

Continued...

City of Missouri Valley
Independent Auditors' Report on
Internal Control and Compliance and Other Ma

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Missouri Valley's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance that are required to be reported under *Government Auditing Standards*. However we noted a immaterial instance of noncompliance or other matters which is described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2016 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

City of Missouri Valley's Responses to Findings

The City of Missouri Valley's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. City of Missouri Valley's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing and not to provide an opinion on the effectiveness of the City's internal control over compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Missouri Valley during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.



SCHROER & ASSOCIATES, P.C.

City of Missouri Valley
Schedule of Findings
Year Ended June 30, 2016

Part I: Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

I-A-16 Water Loss

Comment – The City's water loss during fiscal year 2016 increased from approximately 37,000,000 gallons to 52,000,000, or 41%.

Recommendation – The City should monitor water loss and record all City usage that is not billed.

Response – The Fire Department did not report water usage to the City in the current fiscal year. Also, there were several times City employees found hoses hooked to hydrants in apparent unauthorized commercial usage.

Conclusion – Response acknowledged.

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

City of Missouri Valley
Schedule of Findings
Year Ended June 30, 2016

Part II: Other Findings Related to Statutory Reporting:

II-A-16 Certified Budget

Disbursements during the year ended June 30, 2016 did not exceed the amended amounts budgeted.

II-B-16 Entertainment Expense

We noted no disbursements for parties, banquets or other entertainment for employees that we believe may constitute an unlawful expenditure from public funds as defined in an Attorney General's opinion dated April 25, 1979.

II-C-16 Travel Expense

No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

II-D-16 Business Transactions

Business transactions between the City and City employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Jacob Musfeldt, Employee, Owner of Jacob Musfeldt Yard Service	Lawn Care	\$ 900

In accordance with Chapter 362.5(3)(j) of the Code of Iowa, the transactions with the City Employee do not appear to represent conflicts of interest since total transactions with the individual was less than \$1,500 during the fiscal year.

II-E-16 Bond Coverage

Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

II-F-16 Council Minutes

No transactions were found that we believe should have been approved in the City Council minutes but were not.

II-G-16 Revenue Notes

The City is in compliance with the provisions of the bond resolutions.

City of Missouri Valley
Schedule of Findings
Year Ended June 30, 2016

Part II: Other Findings Related to Statutory Reporting Continued:

II-H-16 Excess Balances

Comment – The balances in the Special Revenue, Road Use Tax Fund and Local Option Sales Tax Fund, the Debt Service Fund, and the Enterprise, Water Fund and Sewer Fund at June 30, 2016, were in excess of the accounts' disbursements for the year.

Recommendation – The City should consider the necessity of maintaining these substantial balances, and where financially feasible, consider reducing the balances in an orderly manner through revenue reductions. The City should consider reducing the water and sewer rates as well.

Response – We plan to utilize the funds in the Road Use Tax Fund for the alley reconstruction project planning for FY17 and equipment replacement with the next 1-5 years. We plan to utilize the funds in the Local Option Sales Tax Fund on upcoming capital projects to reduce debt incurred. We are accruing the Water and Sewer Funds to use on planned water and sewer main extensions within the next 1-3 years, and also to supplement requirements for bond ratings to be able to maintain the City's current rating status which benefits the City by lower interest rates on revenue bonds. Accrued Debt service funds will continue to be used to reduce the tax levy rate.

Conclusion – Response accepted.

II-I-16 Financial Condition

Comment – The Capital Projects Fund had a deficit balance of \$46,041 at June 30, 2016.

Recommendation – The City should investigate alternatives to eliminate this deficit in order to return this fund to a sound financial position.

Response – The deficit was due to construction costs incurred prior to receipt of financing. The deficit will be eliminated.

Conclusion – Response accepted.

II-J-16 Deposits and Investments

We noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy.

II-K-16 Annual Urban Renewal Report

The annual urban renewal report was approved and certified to the Iowa Department of Management on or before December 1 and no discrepancies were noted.

City of Missouri Valley
Schedule of Findings
Year Ended June 30, 2016

Part II: Other Findings Related to Statutory Reporting Continued:

II-L-16 Other Information Required by Bond Resolution
Insurance

Adequate insurance was in force at June 30, 2016.

Statistical Information

Utility customers served at June 30, 2016 1,230

Gallons billed during the year ended June 30, 2016
were approximately 77,154,500